

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
45 Fremont Street
San Francisco, California 94105**

**NOTICE OF PROPOSED ACTION AND NOTICE OF PUBLIC HEARING
REGARDING COMMERCIAL AUTOMOBILE INSURANCE PROCEDURE RATES
FOR THE CALIFORNIA AUTOMOBILE ASSIGNED RISK PLAN**

RH05046220

October 11, 2005

SUBJECT OF HEARING

California's Insurance Commissioner will hold a public hearing to consider the application of the California Automobile Assigned Risk Plan ("CAARP" or "Plan") for approval of increased rates for the four commercial sub-lines for the Commercial Automobile Insurance Procedure ("CAIP").

AUTHORITY AND REFERENCE TO ADOPT RATES

The Commissioner will consider the proposed rates pursuant to the authority vested in him by Section 11620 of the California Insurance Code. The Commissioner's decision on the proposed rates will implement, interpret, or make specific the requirements of Insurance Code Section 11624(e). Government Code §11340.9(g) applies to this proceeding.

HEARING DATE AND LOCATION

Notice is hereby given that a public hearing will be held to permit all interested persons the opportunity to present statements or arguments, orally or in writing, with respect to the proposed rates at the following date, time, and place:

November 17, 2005 at 10:00 a.m.
Department of Insurance
45 Fremont Street 22nd Floor Hearing Room
San Francisco, CA 94105

INFORMATIVE DIGEST

SUMMARY OF EXISTING LAW AND POLICY STATEMENT OVERVIEW

Pursuant to California Insurance Code Section 11624, the Commissioner establishes rates to be charged to those obtaining commercial automobile coverage through CAIP. Section 11624 provides: "Premium charges for the plan shall not be excessive, inadequate, nor unfairly discriminatory, and shall be actuarially sound so as to result in no subsidy of the plan." Title 10, California Code of Regulations, §2498.4.9 references the commercial automobile rate manual, which is approved by the Commissioner but not printed in full in the California Code of Regulations.

The Commissioner is holding the hearing referenced above to accept comments on CAARP's recent rate application. CAARP has proposed rate changes for four CAIP sublines, amounting to an overall average **16.0 percent rate increase**. The four sub-lines are Trucks, Tractor and Trailers; Taxis, Limousines and Van Pools; All Buses Combined; and Zone Rated Risks. CAARP is not seeking a rate change for Employers Non-Ownership Liability at this time. The proposed changes are shown on the attached Explanatory Memorandum. Further details appear in the rate application on file with the Commissioner and available for review as set forth below.

TEXT OF RATE APPLICATION AND INITIAL STATEMENT OF REASONS

The Insurance Commissioner has prepared an initial statement of reasons for the proposed rate change, in addition to the informative digest included in this notice. Upon written request, the initial statement of reasons will be made available for inspection or copying. Written requests for the statement of reasons, or specific questions regarding this proceeding, should be directed to the contact person for these hearings (listed below).

The file for this proceeding is available for inspection **by prior appointment** at 45 Fremont Street, 21st Floor, San Francisco, California 94105, between the hours of 9:00 a.m. and 4:30 p.m., Monday through Friday. Please reference file number "RH03030185" when contacting the contact person.

ACCESS TO HEARING ROOMS

The facilities to be used for the public hearing are accessible to persons with mobility impairments. Persons with sight or hearing impairments are requested to notify the contact person for these hearings (listed below) in order to make special arrangements, if necessary.

PRESENTATION OF ORAL AND/OR WRITTEN COMMENTS: CONTACT PERSON

All persons are invited to submit written comments to the Commissioner prior to the public comment deadline. Comments should be addressed to the following contact person:

California Department of Insurance
Attention: Michael Riordan
45 Fremont Street, 21st Floor
San Francisco, CA 94105
(415) 538-4226
riordanm@insurance.ca.gov

or

California Department of Insurance
Attention: Elizabeth Mohr
45 Fremont Street 21st Floor
San Francisco, CA 94105
(415) 538-4112
mohre@insurance.ca.gov

Any interested person may present oral and/or written testimony at the public hearing.

Written comments transmitted via facsimile machine will be accepted and considered. The facsimile number is (415) 904-5490. Written comments may also be submitted by e-mail to riordanm@insurance.ca.gov.

ADVOCACY OR WITNESS FEES

Persons or groups representing the interest of consumers may be entitled to reasonable advocacy fees, witness fees, and other reasonable expenses, in accordance with the provisions of California Code of Regulations, Title 10, Sections 2662.1-2662.6 in connection with their participation in this matter. Interested persons must submit a Petition to Participate, as specified in California Code of Regulations, Title 10, Section 2661.4. The Petition to Participate must be submitted to the Commissioner at the Office of the Public Advisor at the following address:

California Department of Insurance
Office of the Public Advisor
300 Capitol Mall Suite, 1700
Sacramento, CA 95814
(916) 492-3500

A copy of the Petition to Participate must also be submitted to the contact person for this hearing (listed above). For further information please contact the Office of the Public Advisor.

DEADLINE FOR WRITTEN COMMENTS

Written comments on the proposed new rates must be **received** at the San Francisco office of the Commissioner by **5:00 p.m. November 17, 2005**. Late submissions will not be considered.

ALTERNATIVES

The Commissioner must determine that no reasonable alternative considered by the Commissioner or that has otherwise been identified and brought to the attention of the Commissioner would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action. The Commissioner invites public comment on alternatives to the proposed rate increase.

COST OR SAVINGS AND MANDATE ON AGENCIES OR SCHOOL DISTRICTS

The Commissioner has determined that the proposal does not impose a mandate on local agencies or school districts. The proposal will not result in any cost or in significant savings to state agencies, or in costs to local agencies or school districts for which Part 7 (commencing with Section 17500) of Division 4 of the Government Code would require reimbursement, or in other nondiscretionary costs or savings imposed on local agencies.

IMPACT ON HOUSING COSTS

The action proposed herein will not affect housing costs.

IMPACT ON BUSINESSES, COMPETITION OR COMPETITIVENESS

ECONOMIC IMPACT ON BUSINESSES, JOBS, AND THE ABILITY OF CALIFORNIA BUSINESSES TO COMPETE

CAARP is proposing overall rate increases for trucks, tractors and trailers; taxicabs, limousines, and van pools; buses; and zone rated risks. Therefore, the proposed rate changes could have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states. The proposed rate changes could also have an adverse impact on competition or competitiveness. The proposal could also negatively affect the creation or elimination of jobs in California, the creation of new businesses, the elimination of existing businesses, or the expansion of businesses in California. However, California Insurance Code section 11624(e) requires that premium charges for the plan shall be actuarially sound so as to result in no subsidy of the plan by the voluntary market. Therefore, if and to the extent that CAARP is able to demonstrate that certain existing rates are no longer actuarially sound and that rate increases are warranted, the Commissioner is required to approve increased rates. Of course, the Commissioner also recognizes that section 11624(e) requires that rates not be excessive, and the Commissioner will not approve an increase that results in excessive rates.

EFFECT ON SMALL BUSINESSES

The proposed rate changes could affect small businesses.

COST IMPACTS ON REPRESENTATIVE PRIVATE PERSONS OR BUSINESS

The Insurance Commissioner has determined that there could be potential negative cost impacts on businesses directly affected by the proposed rate increases. Although the rate application involves commercial automobile insurance rates, to the extent a rate increase negatively impacts business, it could also negatively impact private persons employed by those businesses. The rate increase could also negatively impact private persons wishing to purchase goods or services from businesses if the price of goods or services is increased to cover the increased cost of insurance coverage.

FEDERAL FUNDING TO THE STATE

The proposal will not affect federal funding.

NON-DISCRETIONARY COSTS OR SAVING

The proposal will not impose any non-discretionary cost or savings on local agencies.

PLAIN ENGLISH

The application describing the proposal is in plain English. However, the application itself is based on technical actuarial principles.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of the proposal would not mandate the use of specific technologies or equipment.

COMPARABLE FEDERAL LAW

There are no comparable existing federal regulations or statutes.

AUTOMATIC MAILING

A copy of this notice is being sent to all persons on the Insurance Commissioner's mailing list.

Dated: _____

JOHN GARAMENDI
Insurance Commissioner

By _____/S/_____
Michael Riordan
Staff Counsel